Exhibit D

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(mark one)
☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended DECEMBER 31, 2004

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number 0-22999

TARRAGON CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	**94-2432628**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1775 Broadway, 23rd Floor, New York, NY	**10019**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(212) 949-5000**

Securities registered pursuant to Section 12 (b) of the Act:
NONE

Securities registered pursuant to Section 12 (g) of the Act:
Common Stock, $.01 par value
10% Cumulative Preferred Stock, $.01 par value
8% Senior Convertible Notes due September 30, 2009

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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- 262 apartments in Murfreesboro, Tennessee, where we previously built 278 rental apartments for our investment portfolio; and
- 328 apartments in Ocala, Florida, the state in which approximately two-thirds of the 5,000 rental apartment homes we have built are located.

Pursuant to a plan approved by our Board of Directors in March 2005, we plan to divest a substantial portion of the Investment Division in 2005. Therefore revenues, expenses, and cash flows from rental operations are expected to decline significantly in 2005 and 2006.

Factors Affecting Comparability of Results of Operations

Application of FIN 46R. One factor that may affect the comparability of our results is the application of the Financial Accounting Standards Board's ("FASB") Interpretation 46-R, "Consolidation of Variable Interest Entities," or "FIN 46R." On January 1, 2004, we adopted the provisions of FIN 46R for our partnerships and joint ventures formed before February 1, 2003. As a result of the application of FIN 46R, we have consolidated ten of our joint ventures, seven of which were previously unconsolidated, including the partnership that holds the Las Olas River House development. The consolidation of these ten entities increased our total consolidated assets by $336.9 million and total liabilities by $244.8 million as of December 31, 2004. Gross revenue for the year ended December 31, 2004, included homebuilding sales of $51.9 million and rental revenue of $12.2 million produced by these ten newly consolidated entities.

Segment Results. Another factor affecting the comparability of our results of operations is that the segment results for our Investment and Homebuilding Divisions include both revenues generated by consolidated entities and those generated by unconsolidated entities. Therefore, the revenues reflected in the segment results are not fully comparable with our consolidated results.

Distributions in Excess of Investment in Unconsolidated Entities. Distributions in excess of investment in our unconsolidated entities are primarily related to distributions by those entities of non- recourse refinancing or property sale proceeds where we have recovered our investment in those entities. If such an unconsolidated entity becomes consolidated, we will no longer recognize the receipt of cash in excess of our share of income from that entity as income.

Accounting for Inter-Segment Property Transfers. Prior to January 1, 2004, when a property was transferred from our Investment Division to our Homebuilding Division (such as in connection with a condominium conversion), we recorded in our segment results an intercompany sale at the estimated fair value of that property at the time of the sale, which could differ from the property's carrying value at the time. The calculation of the cost of sales related to a subsequent sale of that property (or condominium units) by our Homebuilding Division would then be based on that estimated fair value. The same was true for a transfer of a property from our Homebuilding Division to our Investment Division, with the depreciation expense associated with the transferred property being based on the fair value at the time of transfer rather than the carrying value. Gains on transfers of assets between segments do not represent gains recognizable in accordance with GAAP and, accordingly, are eliminated for purposes of consolidated reporting. Beginning with the first quarter of 2004, we began recording each inter-segment property transfer at the property's carrying value. Nevertheless, since we still own a number of properties that were transferred prior to January 1, 2004, our segment results will continue to include depreciation expense and cost of homebuilding sales based on these intercompany transfers at the properties' fair values for some future periods.

Percentage-of-Completion Revenue Recognition. The percentage-of-completion method of revenue recognition applies to mid-rise and high-rise condominium developments, where construction typically takes eighteen months or more, including our Las Olas River House, Alta Mar, XII Hundred Grand and XIII Hundred Grand projects. Because this method of revenue recognition requires us to recognize revenues from sales of units prior to the closing of such sales, the timing of revenues generated by projects using the percentage-of-completion

(5) This partnership's sole asset, Arbor Glen Apartments, was sold in January 2005.

(6) In January 2005, we acquired the interests of Richard Zipes and his affiliates in these joint ventures.

(7) Our interest in this partnership was sold in April 2004.

We exercise significant influence over but hold noncontrolling interests in each of the above partnerships or joint ventures or our outside partners have significant participating rights, as defined in the EITF 96-16, or important rights, as defined by SOP 78-9. Therefore, except to the extent consolidation is required by FIN46 (see note (1) above), we account for our investments in these partnerships and joint ventures using the equity method.